

CITY OF ASHEVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2004

As management of the City of Asheville, we offer readers of the City of Asheville's financial statements this narrative overview and analysis of the financial activities of the City of Asheville for the fiscal year ended 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's Notes to the Financial Statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

- The assets of the City of Asheville exceeded its liabilities at the close of the most recent fiscal year by \$304,681,104 (*net assets*). Of this amount, \$56,440,484 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$6,038,846.
- As of the close of the current fiscal year, the City of Asheville's governmental funds reported combined ending fund balances of \$35,648,074 an increase of \$7,831,473 in comparison with the prior year. Approximately 57% or \$20,426,703 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, undesignated fund balance for the general fund was \$10,507,731, or 16% of total general fund expenditures.
- The City of Asheville's total entity-wide non-current liabilities decreased \$ 5,350,771 during the current fiscal year.
- The City holds the following bond ratings:

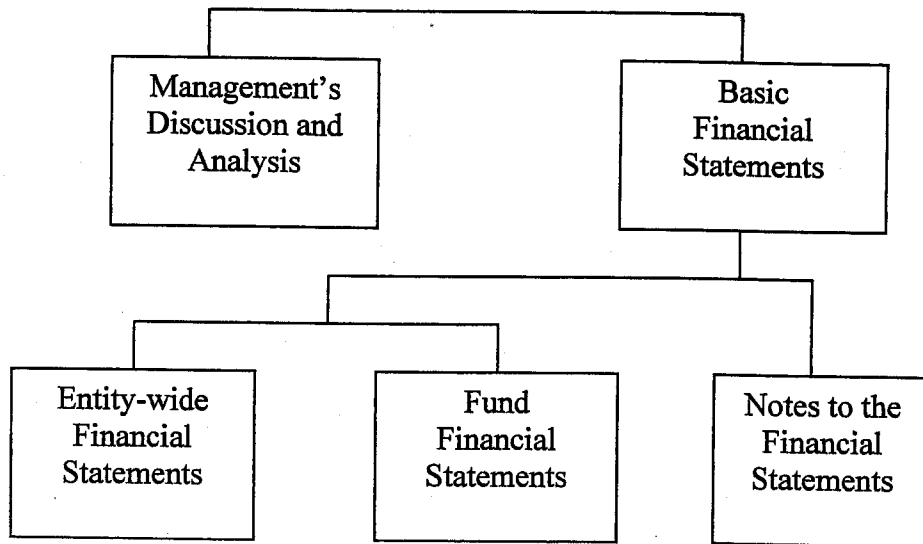
Moody's	Aa2
Standard & Poor's	AA

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Asheville's basic financial statements. The City of Asheville's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves and the compliance section containing information required by Government Auditing Standards, Office of Management and Budget (OMB) Circular A-133 and the North Carolina Single Audit Implementation Act.

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Required Components of Annual Financial Report



Summary \longrightarrow Detail

Basic Financial Statements

The first two statements (Exhibit A & B) in the basic financial statements are the **Entity-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits C through J) are **Fund Financial Statements**. These statements focus on the activities of the individual components of the City's Government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental fund statements, 2) the proprietary fund statements, and 3) the fiduciary fund statement.

The next section of the basic financial statements is the **Notes to the Financial Statements**. The notes explain in detail some of the data contained in those statements. The **Required Supplemental Information** contains additional information required by accounting principles generally accepted in the United States of America. After the notes and the required supplemental information, additional **Supplemental Information** is provided. The other supplemental information shows details about the City's individual funds, including budgetary information required by the North Carolina General Statutes, as well as other data that the City considers helpful to the reader.

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Entity-wide Financial Statements. The *entity-wide financial statements* are designed to provide readers with a broad overview of the City of Asheville's finances, in a manner similar to a private-sector business. The Government-wide statements provide short and long-term information about the City's financial status as a whole.

The *statement of net assets* presents information on all of the City of Asheville's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Asheville is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the entity-wide financial statements distinguish functions of the City of Asheville that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Asheville include General Government, Public Safety, Highways and Streets, Environmental Protection, Economic Development, and Culture and Recreation. The business-type activities of the City of Asheville include Water Resources, Civic Center, Festivals, Parking Services and Mass Transit.

The entity-wide financial statements include not only the City of Asheville itself (known as the *primary government*), but also the legally separate Asheville Board of Alcoholic Control (known as the *component unit*). Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself. The entity-wide financial statements are Exhibit A and B of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Asheville, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, such as the general statutes or the City's Budget Ordinance. All of the funds of the City of Asheville can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Experienced readers of governmental financial statements will find these financial statements most familiar.

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Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the entity-wide financial statements. However, unlike the entity-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements. Governmental funds are reported using an accounting method called modified accrual accounting, which provides a conservative short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs.

Because the focus of governmental funds is narrower than that of the entity-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the entity-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet (Exhibit C) and the governmental fund statement of revenues, expenditures, and changes in fund balances (Exhibit D) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. (Exhibit C & E)

The City of Asheville maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other eight governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Asheville adopts an annual appropriated budget for its General Fund as required by General Statute. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. (Exhibit F)

Proprietary Fund. The City of Asheville maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the entity-wide financial statements. The City of Asheville uses enterprise funds to account for its Water resources, Civic Center, Festivals, Parking Services and Mass Transit Operations. The City has no internal service funds.

Proprietary funds provide the same type of information as the entity-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Resources Fund, which is considered to be a major fund of the City of Asheville. The basic proprietary fund financial statements can be found on Exhibit G through I of this report.

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Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the entity-wide financial statement because the resources of those funds are *not* available to support the City of Asheville's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Asheville maintains one agency fund, which is its only fiduciary fund. The basic fiduciary fund financial statement can be found on Exhibit J of this report.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the entity-wide and fund financial statements. The notes to the financial statements are on pages 30-60 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City of Asheville's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 61-62 of this report. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions.

ENTITY-WIDE FINANCIAL ANALYSIS

The Entity-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The entity-wide statements provide short and long-term information about the City's financial status as a whole. The two Entity-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial condition. In the case of the City of Asheville, assets exceeded liabilities by \$304,681,104 as of June 30, 2004.

By far the largest portion of the City's net assets (\$248,235,620 or 81%) reflects the City's investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related debt that is still outstanding that was issued to acquire those assets. The City of Asheville uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Asheville's investment in its capital assets is reported net of the outstanding related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets are committed to the continued provision of service and cannot be used to liquidate these liabilities.

**CITY OF ASHEVILLE
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City of Asheville's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003 (as restated)	2004	2003 (as restated)	2004	2003 (as restated)
Current & Other Assets	\$ 44,273,366	\$ 38,067,757	\$ 30,828,402	\$ 28,201,483	\$ 75,101,768	\$ 66,269,240
Capital Assets	200,337,934	207,762,573	132,503,328	132,954,564	332,841,262	340,717,137
Total Assets	244,611,300	245,830,330	163,331,730	161,156,047	407,943,030	406,986,377
Noncurrent liabilities	35,614,904	37,704,303	57,769,138	61,030,510	93,384,042	98,734,813
Other Liabilities	4,383,094	4,698,410	5,494,790	4,910,896	9,877,884	9,609,306
Total Liabilities	39,997,998	42,402,713	63,263,928	65,941,406	103,261,926	108,344,119
Net Assets:						
Invested in Capital Assets, Net of Related Debt	173,149,100	173,739,767	75,086,520	61,794,417	248,235,620	235,534,184
Restricted	5,750,559	3,770,395	-	-	5,750,559	3,770,395
Unrestricted	25,713,643	25,917,455	24,981,282	33,420,224	50,694,925	59,337,679
Total Net Assets	\$204,613,302	\$203,427,617	\$100,067,802	\$ 95,214,641	\$304,681,104	\$298,642,258

Of the total net assets for the City of Asheville, 67% represent net assets involved in governmental activities such as street related infrastructure.

The remainder of net assets reflects business-like activities. At the end of the current fiscal year, the City of Asheville is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

In addition, total unrestricted net assets amounted to 17% of total net assets. Unrestricted net assets may be used to meet the government's ongoing obligation to citizens and creditors.

The City's net assets increased by \$6,038,846 during the current fiscal year. The increase is due in large part to increases in operating grants, and capital grants and contributions.

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City of Asheville's Changes in Net assets

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003 (as restated)	2004	2003 (as restated)	2004	2003 (as restated)
Revenues:						
Program revenues:						
Charges for services	\$12,007,123	\$13,470,288	\$27,805,317	\$26,872,423	\$39,812,440	\$40,342,711
Operating grants and contributions	6,786,553	5,781,807	1,883,705	1,596,543	8,670,258	7,378,350
Capital Grants and contributions	462,736	497,558	2,076,882	254,573	2,539,618	752,131
General revenues:						
Property taxes	33,946,832	33,705,073	-	-	33,946,832	33,705,073
Other taxes	20,227,352	18,439,784	-	-	20,227,352	18,439,784
Grants and contributions not restricted to specific programs	289,636	3,472,406	-	-	289,636	3,472,406
Investment earnings and miscellaneous	1,680,142	1,369,144	740,810	1,176,770	2,420,952	2,545,914
Transfers	(1,883,441)	(1,848,754)	1,883,441	1,848,754	-	-
Total Revenues	\$73,516,933	\$74,887,306	\$34,390,155	\$31,749,063	\$107,907,088	\$106,636,369
Expenses:						
General government	\$21,148,189	\$21,628,786	-	-	\$21,148,189	\$21,628,786
Public safety	30,513,376	29,938,308	-	-	30,513,376	29,938,308
Highway/streets	5,650,832	4,800,371	-	-	5,650,832	4,800,371
Environmental protection	5,024,914	5,190,014	-	-	5,024,914	5,190,014
Economic development	3,533,572	3,577,277	-	-	3,533,572	3,577,277
Culture and recreation	5,119,628	4,846,325	-	-	5,119,628	4,846,325
Interest on long-term debt	1,340,737	1,440,180	-	-	1,340,737	1,440,180
Water resources	-	-	20,623,941	20,222,348	20,623,941	20,222,348
Civic Center	-	-	2,668,573	2,012,758	2,668,573	2,012,758
Festivals	-	-	1,121,437	801,385	1,121,437	801,385
Parking services	-	-	1,347,655	1,230,490	1,347,655	1,230,490
Mass Transit	-	-	3,775,388	3,583,547	3,775,388	3,583,547
Total Expenses	\$72,331,248	\$71,421,261	\$29,536,994	\$27,850,528	\$101,868,242	\$99,271,789
Increase in net assets	1,185,685	3,466,045	4,853,161	3,898,535	6,038,846	7,364,580
Net assets, Beginning of year, restated	203,427,617	199,961,572	95,214,641	91,316,106	298,642,258	291,277,678
Net assets, End of year	\$204,613,302	\$203,427,617	\$100,067,802	\$95,214,641	\$304,681,104	\$298,642,258

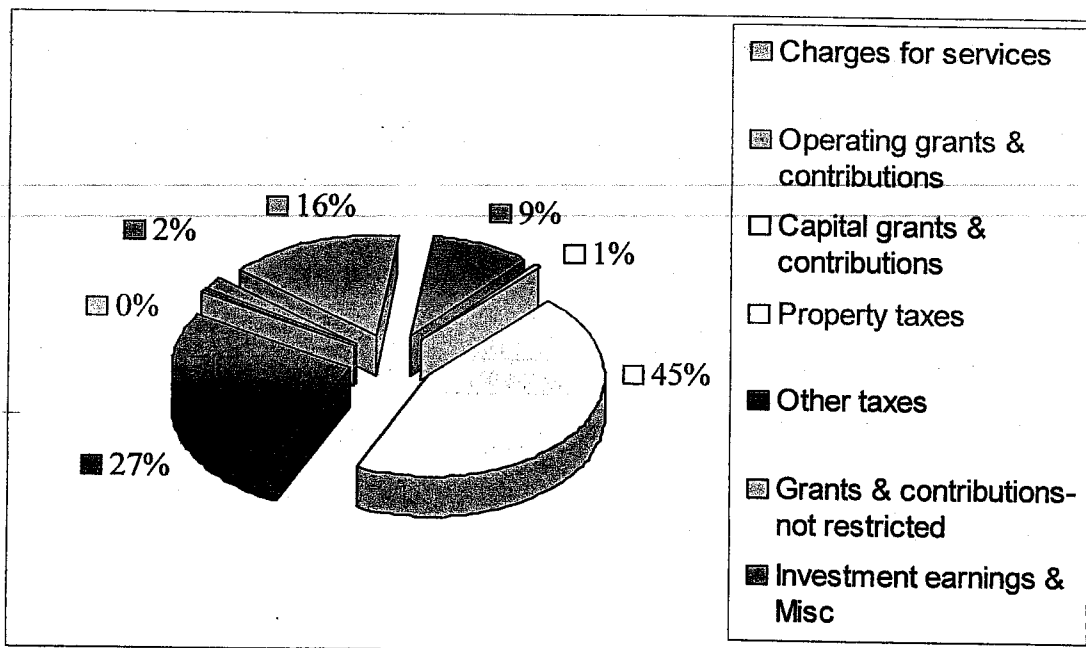
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Governmental activities. Governmental activities increased the City of Asheville's net assets by \$1,185,685, which is a reduction of \$2,280,360 (66%) as compared to the prior year's increase of \$3,466,045. Key elements of this reduction from prior year are as follows:

Total revenues decreased \$1,370,373 (1%) primarily as a result of the following:

- Charges for services decreased by \$1,463,165 (10%) during the year. This was the net effect of (1) a decrease of approximately \$2,700,000 due to reimbursements received from the Asheville Claims Corporation, a blended component unit, in 2003 which were not received in 2004, (2) an increase in licenses and permits of approximately \$700,000 (15%) as a result of record building permits issued and (3) an increase of approximately \$500,000 as result of charges to other funds and insurance recoveries.
- Total grant revenue decreased \$2,212,846 (22%) during the year. This was the effect of (1) a decrease of approximately \$700,000 in the non-major governmental funds, particularly local grants and contributions in the General Capital Projects Fund, (2) a decrease of approximately \$700,000 as a result of the recognition of grant revenue in 2003 which had been deferred in previous years under the old reporting model and (3) a decrease of approximately \$800,000 in grant revenues in the General Fund.
- Other taxes increased \$1,787,568 (9%) during the year primarily as a result of a full year of receipts from an additional one-half cent increase in the local option sales tax.

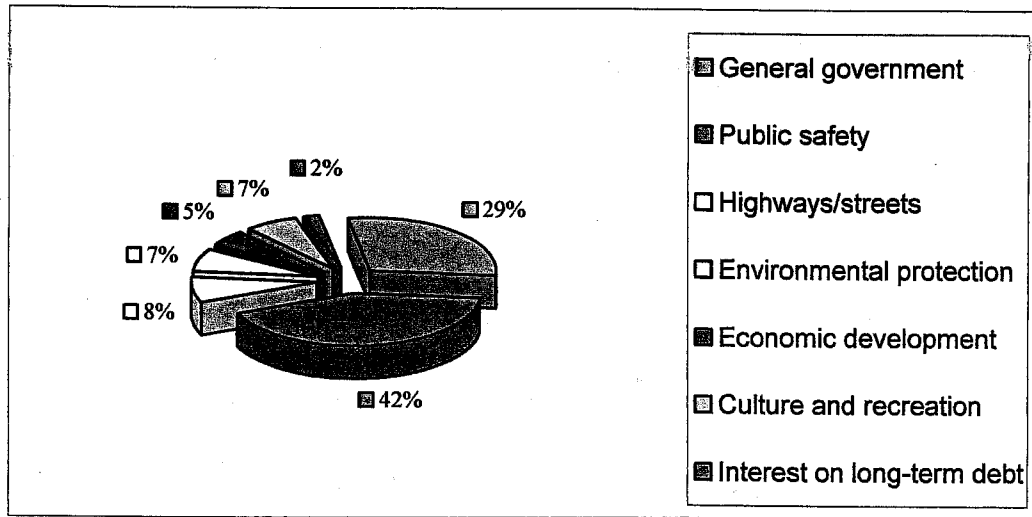
Total Revenues



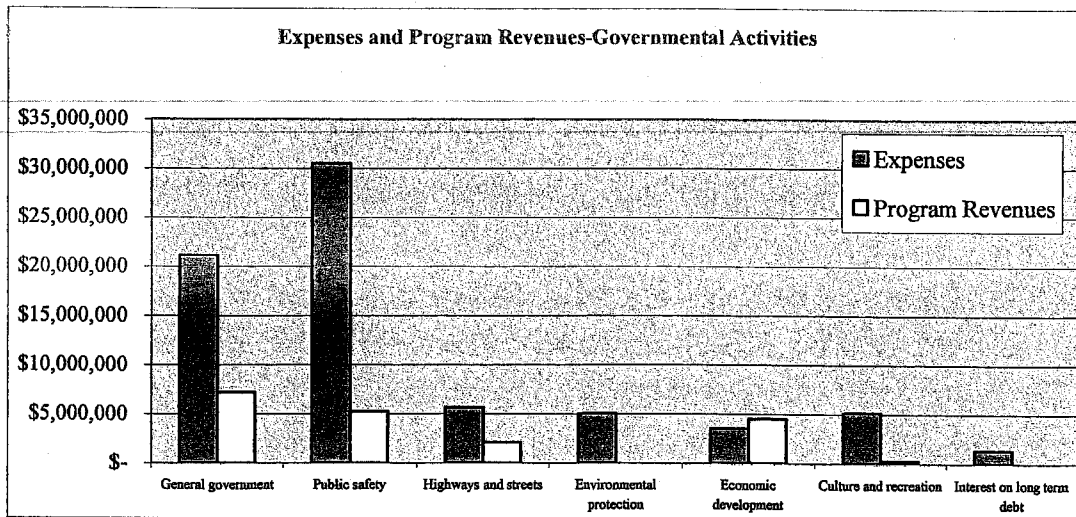
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Ad valorem and other taxes account for 73% of total revenues. The City's tax rate for the year was 53 cents per 100 dollars of assessed valuation. The total assessed value at June 30, 2004 was \$6,536,690,000 and the City collected 99% of the total tax levy. Other taxes consist primarily of local option sales tax, rental vehicle tax, payments in lieu of taxes, state utilities franchise tax, state beer and wine tax and ABC Board tax revenue.

Expenses by Function



Total expenses increased \$909,987 (1%) primarily as a result of new positions in Police and Fire to serve annexed areas and an increase in the amount paid to compensate rural fire departments for fire service related to annexations.

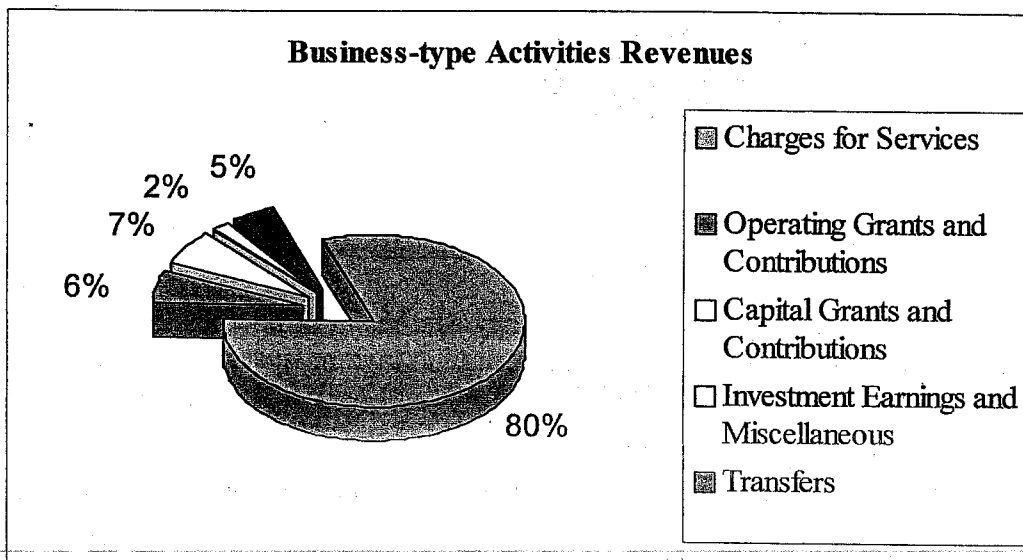


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Business-type activities. Business-type activities increased the City of Asheville's net assets by \$4,853,161 accounting for 80 % of the total growth in the government's net assets. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 3% to \$27,805,317 due to increased demand for services.
- Operating grants and contributions increased by 17% to \$1,883,705 due to active solicitation of grants.
- Capital grants and contributions increased by 715% to \$2,076,882 due to state issued grants for water improvements and mass transit services.

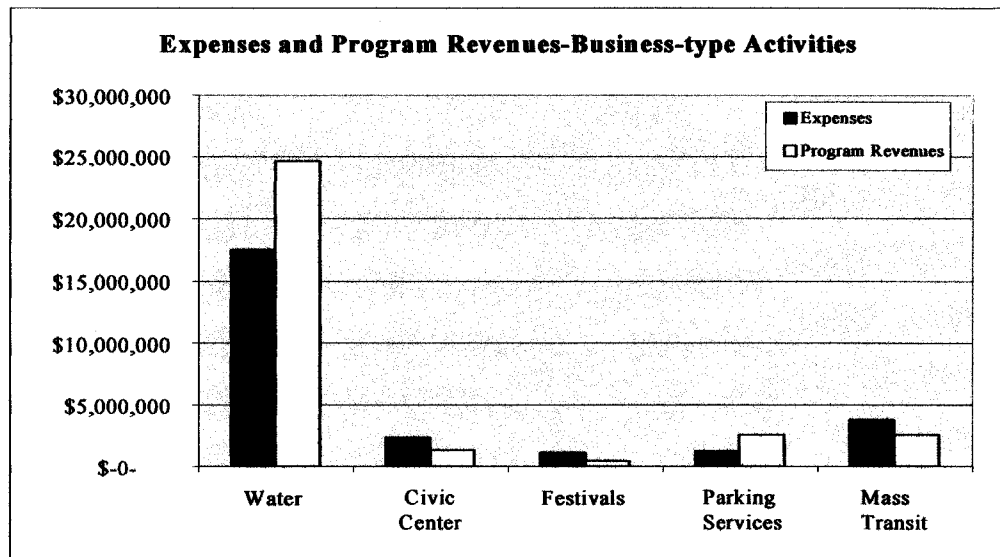
Revenues by Source – Business-type Activities



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Expenses – Business-type Activities

Expenses in business type activities increased by 6% to \$29,536,994. This increase reflects repair and maintenance of the City's water lines, increased activity with the City's Civic Center, more City sponsored festivals, and an increase in the number of City operated bus routes.



Financial Analysis of the City's Funds

As noted earlier, the City of Asheville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Asheville's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Asheville's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Asheville's governmental funds reported combined ending fund balances of \$35,648,074, an increase of \$7,831,473 from the prior year. More than half of this total amount (\$20,426,703) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is *reserved* to indicate that it is not available for spending. Reserved fund balance includes \$2,132,162 committed to liquidate contracts and purchase orders that remain unperformed at year-end, \$5,663,732 reserved as required by North Carolina General Statute 159.8(a), \$1,017,489 reserved for the City's affordable housing program, \$5,745,559 committed to process health benefits, \$5,000 for maintenance of the City's cemetery and \$657,429 that is restricted by Statute for a variety of other purposes.

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The General Fund is the chief operating fund of the City of Asheville. At the end of the current fiscal year, unreserved or undesignated fund balance of the General Fund was \$17,833,128, while total fund balance was \$32,481,678. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved and Undesignated fund balance represents 28% of total General Fund expenditures, while total fund balance represents 52% of that same amount.

The fund balance of the City of Asheville's General Fund increased by \$7,080,004 during the current fiscal year. Key factors in this growth are as follows:

- Ad valorem tax revenues increased approximately \$1,603,823, as a result of an increase in tax base due to annexation and a collections rate of 99%.
- Local sales tax revenues increased by \$1,837,700. This is a result of the previous year's implementation of an additional one-half cent increase in the local option sales tax being received for a full fiscal year.
- General Fund expenditures decreased \$609,028 after given consideration to a decrease in general government expenditures for \$2,898,179, which is the result of the cessation of payments to the Asheville Claims Corporation and a reduction in medical claims activity.

Proprietary Funds: The City of Asheville's proprietary funds provide the same type of information found in the entity-wide financial statements, but in more detail. Unrestricted net assets of Water Resources at the end of the year amounted to \$24,981,282. The total growth in net assets for the funds was \$4,853,161. The increase in net assets is due in part to the pay down of debt and increases in fixed assets of the water system financed in part by state grants.

General Fund Budgetary Highlights

During the fiscal year, State law permits City Council to amend the budget at any time. Generally, budget amendments fall into one of two categories: 1) amendments made to recognize new funding sources from external sources, such as Federal and State grants; and 2) increases in appropriations that become necessary to maintain or expand services. During fiscal 2004, only minor amendments were added to the General Fund adopted budget. The General Fund budget was increased primarily to recognize grant funding obtained by the City's Police, Fire and Public Works departments. Although the City's expenditure budget increased \$480,047 over the year, ultimately actual expenditures were \$5,566,281 less than the final budget. \$3,735,563 of the variance was in general government expenditures as a result of the cessation of payments to the Asheville Claims Corporation and a reduction in medical claims activity mentioned earlier.

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Ad valorem taxes exceeded budget expectations with assessed valuation increasing by 4.8% and the collection rate increasing by .41%. After two years of virtually no growth, local option sales tax revenue also increased in fiscal year 2004 and met budget expectations. The other major General Fund revenue categories - intergovernmental, licenses and permits, and charges for services - all exceeded budget estimates. Investment earnings, however, did not meet budget expectations due to low interest rates and less funds available for investment.

General Fund expenditures decreased by 1.0% from the prior year and were only 91% of the final amended budget. Expenditure decreases in general government were offset by increases in public safety, public works, planning, engineering, and culture and recreation.

Capital Asset and Debt Administration

Capital assets. The City of Asheville's investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$332,841,262 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, water and sewer system, machinery and equipment, park facilities, roads, highways, bridges, curbs and gutters, sidewalks and stormwater. The City of Asheville's net investment in capital assets decreased \$7,875,875 because current year depreciation expense exceeded current year capital asset additions.

City of Asheville's Capital Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003 (as restated)	2004	2003 (as restated)	2004	2003 (as restated)
Land	\$ 20,192,831	\$ 20,217,529	\$ 9,158,238	\$ 6,221,611	\$ 29,351,069	\$ 26,439,140
Buildings & Improvements	39,096,666	38,179,757	77,972,923	78,177,544	117,069,589	116,357,301
Machinery & Equipment	24,780,456	23,246,835	12,084,755	11,544,784	36,865,211	34,791,619
Infrastructure	216,143,023	215,597,369	87,114,575	86,209,379	303,257,598	301,806,748
Construction In Process	4,730,071	2,824,989	4,306,879	4,662,996	9,036,950	7,487,985
Accumulated Depreciation	(104,605,113)	(92,303,906)	(58,134,042)	(53,861,750)	(162,739,155)	(146,165,656)
Total	\$ 200,337,934	\$ 207,762,573	\$ 132,503,328	\$ 132,954,564	\$ 332,841,262	\$ 340,717,137

Additional information on the City's capital assets can be found in Note 4 of this report.

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Long-term debt. At the end of the current fiscal year, the City of Asheville had total bonded debt outstanding of \$18,365,000, all of which is backed by the full faith and taxing authority of the City. The remainder of the City of Asheville's bonded debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Asheville's Outstanding Debt
General Obligation and Revenue Bonds**

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$9,101,212	\$10,488,272	\$9,289,473	\$10,905,621	\$18,390,685	\$21,393,893
Revenue bonds	-	-	44,090,000	45,110,000	44,090,000	45,110,000
Total	<u>\$9,101,212</u>	<u>\$10,488,272</u>	<u>\$53,379,473</u>	<u>\$56,015,621</u>	<u>\$62,480,685</u>	<u>\$66,503,893</u>

The City of Asheville's total general obligation and revenue bonds debt decreased by \$4,023,208 (6.0%) during the current fiscal year in accordance with its regularly scheduled maturity dates. The City did not issue any new general obligation or revenue bonds.

The City of Asheville maintains an "AA" rating from Standard & Poor's and an "Aa2" rating from Moody's for general obligation debt. This bond rating is a clear indication of the sound financial condition of the City.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8% of its total assessed value of taxable property located within that government's boundaries. The legal debt margin for the City of Asheville is \$504,544,535, which is significantly in excess of the City of Asheville's outstanding general obligation debt. Additional information regarding the City of Asheville's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City of Asheville is currently 3.6%, which is a decrease from a rate of 4.0% a year ago. This compares favorably to the state's average unemployment rate of 5.8%.
- Population of 72,664 has grown 7.1% from 1995 to 2004.
- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City of Asheville's budget for the 2005 fiscal year.

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June 30, 2004

During the current fiscal year, unreserved fund balance in the general fund increased to \$17,833,128. The City of Asheville has appropriated \$45,000 of this amount for the purchase of television equipment. This appropriation will come out of PEG (Public Educational & Government) fees, which are paid to the City by the local cable company in support of the public educational and government access channels.

Budget Highlights for the Fiscal Year Ending June 30, 2005.

The City was able to budget for 30 new FTE staff positions, including 10 new positions in Public Safety and 9 new street & sidewalk crew positions in Public Works. The City was also able to boost the General Fund's pay-as-you-go capital improvement funding from \$1.18 million to \$2.57 million, a \$1.4 million increase. This additional funding will allow the City to replace more of its aging fleet and complete several other high priority projects. The fiscal year 2005 General Fund budget includes \$5.37 in debt service for the City's general obligation bonds, certificates of participation, and other general debt obligations. Debt service for fiscal year 2005 remains flat compared to prior year.

Business-type Activities: The fiscal year 2005 budget for the Water Resources Fund maintains current water rates with the assumption that there will be no growth in demand. The Water Resources Fund's overall budget shows a decrease in fiscal year 2005 when compared to the prior year. The Water Resource capital budget totals \$2.39 million and includes funding for capital improvement projects, an aggressive meter change-out program, rolling stock, and small capital equipment. Water Resources' debt service for fiscal year 2005, which is 25% of the total budget, includes debt service for the 1992 General Obligation Bonds, the 1996 NC Water Quality Loan, Series 1996 Revenue Bonds, and Series 2001 Revenue Bonds.

Requests for information

This financial report is designed to provide a general overview of the City of Asheville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Asheville, PO Box 7148, Asheville NC 28802.